SAM II CONSTRUCTION-IN-PROGRESS PROCEDURES

Overview

All construction-in-progress (CIP) payments are required to be capitalized on the balance sheet. CIP costs will not be recorded on the Fixed Asset Subsystem (FAS). Once a project has been completed, the asset must be recorded on the FAS. At the time of completion, the capitalized CIP amount will be removed from the balance sheet and the asset recorded to the balance sheet. To ensure a proper audit trail, it is imperative that a project code associated with the construction costs be coded on the payment document.

The following procedures must be followed to accurately account for CIP cost. For projects done by Design and Construction (D&C), D&C will prepare the payment document recording the CIP amount. Upon completion of a project, D&C will notify the appropriate agency and provide them with a total expenditure report from D&C's project system. The agency must verify that the amount on the report is what was originally recorded to CIP on SAM II. It is the agency's responsibility to record the completed asset on the FAS and on the balance sheet and to remove the CIP amount from the balance sheet.

It is the responsibility of the agency to ensure the balance sheet and FAS contains accurate, reliable information.

Online Procedures for Recording CIP Payments:

Prepare the payment document using the appropriate accounting distribution (agency, organization, fund, appropriation, object code, project, function, activity codes, etc.). In the **Fixed Asset Indicator** field mark "***No Change***". In the **Fixed Asset Type** field enter "*C*". The balance sheet code 1730 will be inferred. The payment document must also contain a project number associated with the construction project. These costs will appear as an account type 23, Expense/Expenditure, transaction on the system.

Selecting "No Change" in the Fixed Asset Indicator field on the payment document prevents a FA shell from being automatically created, however, an error message will be received. The agency must override this error and process the document.

When a project is completed, a Journal Voucher (JV) must be prepared to decrease (credit) the account balance in CIP (1730) to add the asset (debit) to the appropriate balance sheet type (i.e. Building, Land Improvements). At the same time, a FA must be created to place the asset in FAS. The project number must be coded on the FA in the **Funding Source** field.

The document prefix on the JV transaction must be "EX". A report listing the original payment documents, fund and amounts that were originally recorded to CIP is required as

supporting documentation. The supporting documentation must be forward to Division of Accounting, Compliance Audit for approval.

Interface Procedures for Recording CIP Payments:

Prepare the interface payment document using the appropriate accounting distribution (agency, organization, fund, appropriation, object code, project, function, activity codes, etc.).   In the **Fixed Asset Indicator** field mark "**Create One Shell**". In the **Fixed Asset Type** field enter "**C**". The balance sheet code 1730 will be inferred. The payment document must also contain a project number associated with the construction project. These costs will appear as an account type 23, Expense/Expenditure, transaction on the system.

A FA shell will be automatically created for these payments.   The agency <u>must</u> delete the shells from SUSF.

It is important to note, that marking "No Change" on the Fixed Asset Indicator field will cause all documents on the interface to reject on the SUSF requiring an override for each.

When a project is completed, a Journal Voucher (JV) must be prepared to remove the costs (credit) from the CIP (1730) on the balance sheet and to add the asset (debit) to the appropriate balance sheet type (i.e. Building, Land Improvements). At the same time, a FA must be created to place the asset in FAS. The project number must be coded on the FA in the **Funding Source** field.

The document prefix on the JV transaction must be "EX". A report listing the original payment documents, fund and amounts that were originally recorded to CIP is required as supporting documentation. The supporting documentation must be forward to Division of Accounting, Compliance Audit for approval.